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No. 90-1407

# IN THE SUPREME COURT OF THE UNITED STATES

October Term, 1990

OWEN E. PERRY,
*Petitioner,*

vs.

AMERACE CORPORATION, *Respondent.*

## PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

## SUPPLEMENTAL BRIEF IN SUPPORT OF PETITION FOR WRIT OF CERTIORARI

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# SUPPLEMENTAL BRIEF
# IN SUPPORT OF
# PETITION FOR WRIT OF CERTIORARI
# TO THE UNITED STATES
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Petitioner Owen E. Perry ("Perry") respectfully submits this Supplemental Brief pursuant to Sup.Ct.R. 15.7 to call to the Court's attention intervening matter and new cases not available at the time of Perry's last filing.[1]

**A. Pac-Tec, Inc. should be named as the Respondent, replacing Amerace Corporation.**

Perry, a lawyer, filed his Petition for Writ of Certiorari on March 1, 1991. He named as Respondent Amerace Corporation, which was the opposing party in patent litigation in which Perry acted as counsel for his then client, Pac-Tec, Inc. Perry's Petition seeks review of orders entered in the Court of Appeals for the Federal Circuit imposing sanctions against Perry and Pac-Tec, jointly and severally, under Fed.R. App. P. 38. The sanctions imposed included an award of attorneys fees and double costs in favor of Amerace in the amount of $134,000.18.

As noted by Perry, Pet. p.7, n.34, even at the time of the filing of the Petition, Amerace and Pac-Tec were engaged in settlement negotiations. In furtherance of these negotiations, Amerace was granted three extensions of time to file a brief in

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[1] References to material in the Appendix to this Supplemental Brief will be cited by Appendix letter and page as App. -A .

References to the Petition for Writ of Certiorari filed by Perry will be cited as Pet. .

References to the Cross-Petition for Writ of Certiorari filed by Pac-Tec will be cited as Cr.-Pet. .

opposition to Perry's Petition. Upon consummation of the settlement, Amerace notified the Clerk of this Court that it had assigned all of its rights against Perry to Pac-Tec and had no further interest in participating in the proceedings in this Court. (App. A-A1).

Pac-Tec, on the other hand, has been an active participant in this Court, having filed its own Cross-Petition for Writ of Certiorari (No. 90-1525). Pac-Tec is also automatically a party in this Court in connection with Perry's Petition since it was a party to the proceedings in the Federal Circuit. Sup.Ct. R. 12.4.

In addition, the assignment by Amerace to Pac-Tec of Amerace's claims against Perry is more than a mere formality. As noted in Perry's Declaration filed in Appendix A-A2 with Perry's Brief in Opposition to Pac-Tec's Cross-Petition, Pac-Tec has filed and is actively prosecuting a state court malpractice suit against Perry in which it seeks recovery of all amounts paid to Amerace, including all amounts paid in satisfaction of the Federal Circuit orders sought to be reviewed in this Court by Perry. Pac-Tec has sought similar relief in its Cross-Petition. Cr.-Pet. at 8-12.

With the Amerace assignment, the dispute regarding the validity and enforceability of the Federal Circuit orders is now squarely and solely between Perry and Pac-Tec. Accordingly, Perry requests pursuant to Sup. Ct. R. 12.4 that Pac-Tec, Inc. be named as the Respondent in Perry's Petition for Writ of Certiorari, No. 90-1407, replacing Amerace Corporation.

**B. *Gentile v State Bar of Nevada* supports Perry's claim that Fed.R. App. P. 38 is unconstitutionally vague.**

Fed.R. App. P. 38, like Nevada Supreme Court Rule 177(3) considered in *Gentile v State Bar of Nevada*, U.S. , 59 LW 4858 (1991), "fails to provide 'fair notice to those to whom [it] is directed.' " 59 LW at 4863 [citing *Grayned v City of Rockford*, 408 U.S. 104, 112 (1972)]. The ambiguities in the brief text of Rule 38 makes that rule "so imprecise that discriminatory enforcement is a real possibility." *Id.* at 4864. The two major words

used in Rule 38, "frivolous" and "just damages," are, like the terms appearing in the Nevada rule, "classic terms of degree." *Id.* at 4863. Not only is there is "no settled usage or tradition of interpretation in law," *Id.*, for these words, there is also a widespread and confusing variation in the meaning given to the words from one circuit to another. Pet. p. 27. *Gentile* therefore confirms Perry's argument, Pet. pp. 27-28, that Rule 38 is unconstitutionally vague.

### C. *Connecticut v Doehr, Chambers v NASCO, Inc.* and *Pasillas v McDonald's Corp.* support Perry's due process challenge to Rule 38.

1. Like the issues considered in connection with the pre-judgment attachment statute invalidated in *Connecticut v Doehr,* U.S. , 111 S. Ct. 2105 (1991), the Rule 38 determination made in this case was — or should have been — fact intensive, and therefore required adequate notice and a hearing. This is even more clearly the case for Rule 38 determinations since there are no procedural safeguards provided in Rule 38 to "adequately reduce the risk" of an erroneous result. *Id.* at 2114.

The three-pronged analysis first announced in *Mathews v Eldridge*, 424 U.S. 319, 96 S.Ct. 893 (1976) and reaffirmed in *Doehr*, to determine when due process requires notice and hearing prior to a deprivation of an interest protected by law, should be applied to the Rule 38 decision affecting Perry.

The first prong, consideration of the private interest affected, is certainly satisfied here. There can be no question that petitioner's interest is significant and substantial. Pet. p. 3, 7.

The second prong, the risk of erroneous deprivation through the procedures under attack and the probable value of other safeguards, is also clearly met in this case. The utter lack of any procedural safeguards for lawyers facing Rule 38 sanctions, coupled with the absence of any meaningful standard for determining when Rule 38 should be applied, makes the risk of erroneous deprivation high. This risk can be greatly reduced by simply

providing rudimentary procedural protections like those set forth in Fed.R. App. P. 46(c). Pet. pp. 22-24.

The third and final prong, the interest the government may have, including fiscal and administrative burdens, must also be resolved in favor of notice and hearing. While the Federal Circuit has complained that such a requirement will impose unreasonable and unnecessary administrative burdens, *In Re Perry*, 918 F.2d 931, 934 (Fed. Cir. 1990); *Toepfer v Dept. of Transp.*, 792 F.2d 1102, 1103 (Fed. Cir. 1986), these burdens pale in comparison to the impact that standardless, unreviewed decisions imposing Rule 38 damages can have on appellate lawyers and the chilling effect of such awards on appellate advocacy. *Doehr* therefore supports Perry's due process attack on Rule 38. Pet. pp. 24-26.

2. The Federal Circuit went well beyond Rule 38 in imposing sanctions on Perry, finding him guilty of "deceit" and publicly censuring him. Pet. at 25. This published opinion has since been frequently cited in Federal Circuit Rule 38 decisions. See, *e.g.*, *Finch v Hughes Aircraft Co.*, 926 F.2d 1574, 1578 (Fed. Cir. 1991), *Romala Corp. v U.S.*, 927 F.2d 1219, 1225 (Fed. Cir. 1991). To the extent that the authority for going beyond Rule 38 is based upon "inherent power," [See *Laitram Corp. v Cambridge Wire Cloth Co.*, 919 F.2d 1579, 1584 (Fed. Cir, 1990)], this Court's recent decision in *Chambers v NASCO, Inc.*, U.S. , 111 S. Ct. 2123 (1991) has important application.

*Chambers* relies on *Roadway Express, Inc., v. Piper*, 447 U.S. 752, 100 S. Ct. 2455 (1980). *Chambers, supra* at 2136. *Roadway* is cited by Perry in his Petition [pp 16, 24, 26]. While Mr. Chambers and his counsel were afforded notice and several hearings before sanctions were imposed, *NASCO, Inc. v Calcasieu Television & Radio, Inc.*, 124 F.R.D. 120, 141, n. 11 (W.D. La. 1989), Perry was not given a hearing or adequate notice prior to the imposition of sanctions.

*Chambers* also contrasts the standardless inherent power doctrine with amended Rule 11 which now imposes an objective "reasonable inquiry" standard, reducing the risk that Rule 11 will

be used by courts to chill advocacy. *Id.* at 2134. However, Rule 38 has not been amended and remains, like a court's inherent power, essentially a "standardless exercise of judicial power" which can be applied "without specific definitional or procedural limits." *Id.* at 2145 (Kennedy, J., dissenting).

Thus *Chambers* also supports Perry's argument that he is entitled to fair notice and a hearing before sanctions can be imposed against him.

3. Finally, Perry's argument [Pet. at 27] that fundamental unfairness is created when the undefined, standardless concept of "frivolity" is used to award substantial penalties is supported by the 9th Circuit's recent decision in *Pasillas v McDonald's Corp.*, 927 F.2d 440 (9th Cir. 1991). There the court refused to find an appeal to be frivolous under Rule 38 which involved the copyright issue of "substantial similarity." As the court noted, "determinations about substantial similarity are rarely obvious." *Id.* at 444. The patent issues raised by Perry, including the "anticipation defense," Pet. at 11, were no less complex than the copyright issue involved in *Pasillas*. That both the Ninth and Federal Circuits can be considered among the "aggressive circuits"[2] in enforcing Rule 38 but reach such different results applying the same rule underscores the danger of permitting a standardless,

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[2] Martineau & Davidson, *Frivolous Appeal in the Federal Courts: The Ways of the Circuits*, 34 Am. U.L. Rev. 603, 620, 640 (1985).

unreviewable sanctioning device to be used by the Courts of Appeal.

Respectfully submitted,

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# APPENDIX A

## [LETTERHEAD OF JONES, DAY, REAVIS & POGUE]

June 28, 1991

BY HAND

Francis J. Lorson
Chief Deputy Clerk
Supreme Court of the United States
1 First Street, N.E.
Washington, D.C. 20543

Re: *Owen E. Perry v. Amerace Corporation*, No. 90-1407;
*Pac-Tec, Inc. v. Owen E. Perry*, No. 90-1525

Dear Mr. Lorson:

In a series of letters dated April 23, May 13, and May 31, 1991, Amerace Corporation sought an extension of time to respond to the above petition and cross-petition. This letter will confirm that Amerace has concluded a settlement with cross-petitioner Pac-Tec, Inc. as described in my letter of May 31, 1991.

These petitions involve sanctions awarded in favor of Amerace under Fed. R. App. P. 38, by the Federal Circuit. That court found an appeal by Pac-Tec and its counsel, Owen E. Perry to be frivolous. The Federal Circuit ordered Pac-Tec and Perry to pay to Amerace the attorney fees and double costs Amerace had incurred on appeal. Amerace has entered into a settlement with Pac-Tec that satisfies that judgment together with two other judgments entered by the district court and the Federal Circuit. Amerace, therefore, seeks no further recovery against Pac-Tec and has assigned any rights it may have against Perry to Pac-Tec.

Under these circumstances, Amerace no longer has an interest in this matter and accordingly, pursuant to Supreme Court Rule 22.4, hereby waives the right to file a response.

Sincerely,

(s) Ronald A. Sandler
Counsel for Amerace Corporation

cc: Monroe H. Freedman
Thomas E. Anderson